

FISCAL NOTE

HB 3055

January 28, 2008

SUMMARY OF BILL: Makes multiple changes to state law concerning the regulation of public utilities by the Tennessee Regulatory Authority (TRA), as it specifically relates to the regulation of incumbent local exchange telecommunications companies. Prohibits TRA from regulating certain telecommunications products and services of incumbent local exchange telephone companies under certain specified circumstances. Changes multiple state laws regarding price regulation, price discrimination, promotional incentives, and the bundling of certain products and services which are provided by certain telecommunications companies.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$2,350,100 / Tennessee Regulatory Agency

Other Fiscal Impact – There could be additional decreases to state revenue if any incumbent local exchange telephone company, that currently operates without any price regulation from the Tennessee Regulatory Agency, decides to convert to a price regulated company in the future. Any such additional decrease is estimated to be less than \$200,000 per year.

Assumptions:

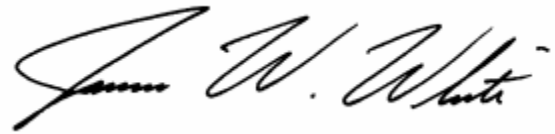
- According to TRA, the authority is charged with regulating investor-owned public utilities in the state, including telecommunications providers.
- Regulation includes, but is not limited to, issuance of certificates to operate, price regulation, resolution of consumer complaints, and quality of service regulation.
- Section 13 of this bill states that beginning on July 1, 2008, the authority shall no longer have regulatory jurisdiction over basic local exchange telephone services provided by incumbent local exchange telephone companies that are subject to price regulation.
- According to TRA, there are three incumbent local exchange telephone companies operating under price regulation at this time: Embarq, Citizens of Tennessee, and Bell South (currently AT&T).

- Pursuant to Tenn. Code Ann. § 65-4-301, every public utility doing business in the state that is subject to regulation by the TRA to pay an annual fee for the inspection, control, and supervision of the business.
- Pursuant to Tenn. Code Ann. § 65-4-303(a), such annual inspection fee be based on gross receipts from intrastate operations.
- Pursuant to Tenn. Code Ann. § 65-4-303(b), such gross receipts from intrastate operations means total revenues, before any deductions, which are recognized by the authority as utility revenue for the purpose of setting intrastate rates. TRA also considers this revenue “regulated revenue” for the purpose of assessing and collecting the inspection fee. Such inspection fee is determined by applying the formula as established in Tenn. Code Ann. § 65-4-303(c) to the amount of regulated revenue for each company.
- According to TRA and based on their most recent filing fee data, the sum total of regulated revenue for the three local exchange telephone companies operating under price regulation was \$1,173,568,908. The resulting inspection fees paid to the authority was \$2,350,108.
- According to TRA, after July 1, 2008, the authority would no longer be able to assess or collect such inspection fees because they would no longer have the regulatory jurisdiction over the “basic local exchange telephone services.”
- This bill proposes the definition for “basic local exchange telephone services” to mean telecommunications services which are comprised of dial-tone, touch-tone and usage provided to the premises for the provision of two-way switched voice or data transmission over facilities of residential customers within a local calling area, Lifeline, Link-Up Tennessee, 911 Emergency Services and educational discounts existing on the date the incumbent local exchange telephone company applies for price regulation.
- According to TRA, the “basic local exchange telephone services” are the services that will generate revenue for the incumbent local exchange telephone companies, and without regulatory jurisdiction over the services, the revenue generated from such would no longer be considered “regulated revenue” for the purpose of assessing and collecting the inspection fees.
- The decrease of state revenue is estimated to be \$2,350,100 per year.
- There are approximately 15 other incumbent local exchange telephone companies that are not currently operating under price regulation. However, if this legislation is enacted, such companies are expected to convert to price regulated companies in the future.
- According to TRA, and based on the most recent filing fee data, the sum total of regulated revenue for the 15 companies not currently operating under price regulation was \$91,322,081. The resulting inspections fees were \$197,493.

- According to TRA, this proposed reduction of regulatory responsibility for specific telecommunications services will not reduce the need for existing resources because of remaining regulatory responsibilities of other telecommunications companies and their products and services, and due to ongoing regulatory responsibilities with waste water treatment and gas utilities.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

/rnc